UNITED
NATIONS

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Economic and Social Council

Distr.
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E/ICEF/1994/AB/L.14
4 August 1994

ORIGINAL: ENGLISH

UNITED NATIONS CHILDREN'S FUND
Executive Board
Third regular session 1994
3-5 October 1994

FOR INFORMATION

REPORT ON THE IMPLEMENTATION OF EXECUTIVE BOARD DECISION 1993/24 C (E/ICEF/1993/14)

1. Pursuant to the request of the Executive Board in paragraph 6 of its decision 1994/A/9 C (see E/ICEF/1994/13 (Part III)) for a report on the implementation of decision 1993/24 C, the Executive Director reports that the following action has been taken:

(a) Executive directive. On 20 May 1994, the Executive Director issued an executive directive on clarification and focusing of Greeting Card and related Operations (GCO) activities in UNICEF field offices (CF/EXD-IC/1994-005). The executive directive discusses, inter alia, the retention of net income from product sales and private sector fund-raising for in-country programmes;

(b) Financial circular. The Comptroller is developing a financial circular prescribing the guidelines regarding the allocation of funds raised through activities supported by GCO to Board-approved supplementary-funded projects in the country in which the funds were raised;

(c) Systems modification. The prevailing operating systems will be modified as necessary to conform with the reporting requirement, that is, the reporting through GCO of income raised from the private sector.

94-31877 (E) 240894 26/08/94

UNITED
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Economic and Social Council

Distr.
LIMITED

E/ICEF/1994/AB/L.15
7 September 1994

ORIGINAL: ENGLISH

UNITED NATIONS CHILDREN'S FUND
Executive Board
Third regular session 1994
3-5 October 1994

FOR ACTION

CONFERENCE FACILITIES AT THE PREMISES OF UNICEF HEADQUARTERS

SUMMARY

The present report has been prepared in accordance with Executive Board decision 1994/R.1/1 (E/ICEF/1994/13 (Part I)) to examine further the question of conference facilities at the premises of UNICEF headquarters. It reviews relevant developments since the Executive Board's first regular session of 1994, outlines the possibilities for constructing a conference facility at UNICEF House and at 633 Third Avenue, compares the technical aspects and costs of those two options, addresses the possibilities of sharing of facilities with other agencies and refers to the question of financing.

The Executive Director recommends that: (a) the feasibility study of the two options selected (the Labouisse Hall at UNICEF House and 633 Third Avenue) be completed; (b) several relevant pending issues be clarified, in particular those relating to additional cost items (including the cost of outfitting the conference facilities), availability of interpreters and other staff, the possibility of cost-sharing between UNICEF, the United Nations Development Programme and the United Nations Population Fund and the financing of the conference facility; (c) work on the conference facilities begin only after financing has been assured; and (d) that further progress be reported to the Executive Board at its first regular session of 1995.

CONTENTS

	Paragraphs	Page
INTRODUCTION	1 - 3	3
I. POSSIBILITIES AT UNICEF HOUSE AND AT 633 THIRD AVENUE	4 - 10	3
II. COMPARISON WITH UNITED NATIONS FACILITIES	11 - 12	4
III. SHARING OF CONFERENCE FACILITIES WITH THE UNITED NATIONS DEVELOPMENT PROGRAMME AND THE UNITED NATIONS POPULATION FUND	13	5
IV. FINANCING	14	5
V. RECOMMENDATION	15	5
Annex. Executive summary of preliminary feasibility study of conference facilities at UNICEF headquarters premises		7
Figure I. Proposed layout of conference facility in the Labouisse Hall at UNICEF House		15
Figure II. Proposed layout of the twenty-seventh floor at 633 Third Avenue		16

INTRODUCTION

1. The present report has been prepared in accordance with decision 1994/R.1/1 (E/ICEF/1994/13 (Part I)), adopted by the Executive Board at its first regular session of 1994. In that decision, the Board requested further information regarding developments of conference facilities at the premises of UNICEF headquarters, pursuant to General Assembly resolution 48/162 of 20 December 1993, in annex I to which the Assembly invited certain United Nations funds and programmes to hold regular Executive Board sessions at their headquarters premises.

2. Since the first regular session in February 1994, the secretariat has conducted a preliminary review of the technical feasibility of various options. The working assumption has been that interpretation facilities would be required for all six official languages of the United Nations and that some 120 seats would be needed to accommodate both Board members and observers, as well as secretariat staff. Due consideration was also given to state-of-the-art technologies such as tele-conferencing, electronic document transmission and video facilities.

3. The various possibilities which were considered are: (a) at UNICEF House, a floor between floors 2 and 12 and the Labouisse Hall, on the B1 level; and (b) the future UNICEF premises at 633 Third Avenue.

I. POSSIBILITIES AT UNICEF HOUSE AND AT 633 THIRD AVENUE

4. A floor at UNICEF House between floors 2 and 12. The low ceiling height of any of the floors between 2 and 12 would likely either prohibit installation of interpretation booths or result in high costs owing to removal of existing suspended ceilings and rerouting of air-conditioning equipment. Converting one floor in UNICEF House into a conference facility would also require that new office space be rented to accommodate the staff displaced from that floor and that offices on some of the functionally linked floors be rearranged.

5. Henry Labouisse Hall, floor B1. Already present are an entry foyer, coat closets, a kitchen and pantry, etc. The ceiling is high enough to allow for proper installation of booths for six interpreters and a sound engineer. The disadvantage, however, would be that use of the Hall by staff would be restricted and additional space would be needed for activities presently held there, such as staff assemblies, training and briefing sessions, workshops, presentations, meetings of the New York and Global Staff Associations, consultations between the secretariat and non-governmental organizations and public affairs and advocacy programmes.

6. 633 Third Avenue. The floors presently being acquired at 633 Third Avenue lend themselves for use as conference facilities. If both the United Nations Development Programme (UNDP) and the United Nations Population Fund (UNFPA) rented substantial space in the building in the near future, it would offer an attractive option to be shared by the three organizations, resulting in

increased usage of the facilities and reducing substantially the "per meeting" cost.

7. Of the options mentioned above, only the Labouisse Hall and 633 Third Avenue were considered worth pursuing.

8. An architectural and design firm was employed to carry out a preliminary feasibility study of both the Labouisse Hall and 633 Third Avenue. An executive summary of the study can be found in the annex to the present document. The architect determined that conference facilities could be constructed at both locations. Minimum costs of constructing a conference facility in the Labouisse Hall and at 633 Third Avenue are estimated at approximately $542,000 and $770,000, respectively.

9. In addition to the one-time cost of construction, there would also be significant one-time costs for outfitting of the conference room, either in the Labouisse Hall or at 633 Third Avenue, in addition to other cost items such as maintenance of the conference facilities and, perhaps, additional staff to service meetings held there.

10. If the Executive Board decides in principle to establish a conference facility either at UNICEF House or at 633 Third Avenue, there would be an impact on the programme of space as described in the report on projections of future levels of headquarters staff (E/ICEF/1994/AB/L.11). Establishment of the conference facility at either location would mean that additional space would be required at 633 Third Avenue for a general assembly room (to replace the Labouisse Hall) or for general office space (to replace the space used by the conference facility). The estimated cost of fitting out an assembly room would be $150,000, while approximately 17,000 square feet - an additional floor at 633 Third Avenue - would be required.

II. COMPARISON WITH UNITED NATIONS FACILITIES

11. To date, use of the conference facilities at United Nations Headquarters has not been charged to the respective subsidiary bodies. Those charges are included in the regular budget of the United Nations shared by Member States and therefore are not incurred by UNICEF.

12. Conference facilities at United Nations Headquarters continue to be available to UNICEF for its Executive Board sessions and other related meetings. While interpreters, sound engineers, conference officers and other staff required to service Executive Board meetings are available at the United Nations, the question of whether such support would still be available, when needed, to service conference facilities outside the United Nations premises is still being clarified.

III. SHARING OF CONFERENCE FACILITIES WITH THE UNITED NATIONS DEVELOPMENT PROGRAMME AND THE UNITED NATIONS POPULATION FUND

13. The possibilities of sharing the cost and eventually the facilities among UNICEF, UNDP and UNFPA still are being discussed in a spirit of cooperation.

IV. FINANCING

14. In General Assembly resolution 48/162, the Executive Boards of the relevant funds and programmes were encouraged to make the necessary facilities available as soon as possible without prejudice to the resources of existing programmes and projects. Since there are no funds available from existing budgets, other sources of income and the possibility of donations-in-kind need to be explored.

V. RECOMMENDATION

15. Keeping in mind that the Executive Board sessions are expected to continue to be held for the time being at United Nations Headquarters, the Executive Director recommends that the Executive Board adopt the following decision:

The Executive Board

Decides:

(a) That the preliminary feasibility studies for construction of conference facilities in the Labouisse Hall and 633 Third Avenue be completed;

(b) That pending relevant issues identified in the present report be followed-up, in particular those relating to:

(i) Additional cost items, including the cost of outfitting the facilities;

(ii) Availability of interpreters and other conference services staff;

(iii) The possibility of cost-sharing;

(iv) Financing;

(c) That construction and outfitting of the conference facilities commence only after financing has been assured;

(d) That further progress be reported to the Executive Board at its first regular session of 1995.

Annex

Executive summary of preliminary feasibility study of conference facilities at UNICEF headquarters premises

THE SWITZER GROUP, INC.

Interior Architectural Consultants

EXECUTIVE SUMMARY

In lieu of the preliminary feasibility study for a conference facility for the executive board, The Switzer Group, Inc. has prepared this document to provide a brief synopsis of the above said feasibility study. This synopsis shall contain the following points for information and possibly solutions for the success of the proposed conference facility and its environment.

- A list of objectives used in evaluating the technical and cost aspects of both facilities.

- A proposed time frame that illustrates the sequence of events in the design and build aspects of the proposed facility. Graphic diagrams which illustrate design and physical encumbrances to the facility.

As well, additional information has been incorporated in the following summary to supplement the "attached report" and should help provide a clear insight of the key issues concerning the location and feasibility of the facility.

Study Objectives

The feasibility study reviewed the proposed program and the assessed the actual sites considered. The following series of objectives were developed and were included for determination and analyses:

- The efficiency of space usage in relation to size, base building structure and proposed program usage.

- The achievement of proper proximity's of ancillary spaces and supplemental technical support areas such as interpretation booths, drafting room, etc.

- The impact of designing a flexible conference facility that allows for a general assembly layout or a open forum meeting room.

- The identification of support systems which allow for the technological upgrade to a complete video conferencing facility.

- The identification of functions that may require displacement of current UNICEF House departments or rooms.

- The identification of those items which are considered as critical or major in scope and costs in order to provide for a functional design.

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The study was based on tours of the proposed spaces, followed by a series of meetings with OAM department staff. From the acquired information, a proposed schematic design was developed as well as a determination of required adjacencies and diagrams of existing physical and cost impacts.

633 Third Avenue

1. A centralized conference facility is possible due to the large floor (plate) area. However it may require major structural changes. (* See Note Below) With such major structural changes the 26th or 27th floor would then be capable of housing the general conference area plus all of the required ancillary areas (Drafting rooms, reprographics, UNDP and UNICEF office support facilities).

   * Note: Of the major structural costs mentioned above it is estimated that a cost well over $180,000 should be allocated for the redesign and removal of the two structural columns located on the east side of either the 26th or 27th floor to create a larger unobstructed bay of 58' - 0" capable of accommodating the general conference facility. This structural modification is absolutely necessary in order to provide for a columnless space by which visual angles are not obstructed as per UNICEF's strict program requirements.

2. Since the facility requires approximately 1/2 of either the 26th or 27th floor, the conference facility may need to share the restroom facilities with its neighboring tenant.

3. Another considerable cost in locating the conference facility at 633 Third Avenue are these associated with the HVAC system needed to meet the required comfort level for a facility of this nature.

4. Of major concern in locating the conference facility in 633 Third is the obvious and probably most critical task of security. Upon entry into the building and after passing the building's security checkpoint, anyone can enter the elevators which services floors 22 - 27. As well, these floors require 2 different elevator banks for access.

5. There are several core walls that may require sound proofing due to existing building elevator machine rooms. Careful consideration is advised due to the repetition of machine noise in the proposed conference facility. In general acoustics is of great concern.

6. Low ceiling height may present improper viewing angles for the proposed interpretation booths for the General Assembly room.

7. In locating this facility to Third Avenue, security which is critical to the international community and synonymous to the boarding area to the United Nations is lost.

Levels B-1 and B-2 of the UNICEF House

8. The UNICEF House locations provides all of the characteristics we believe are essential to the success of the new proposed conference facility such as prestige and intimacy. UNICEF House is adjacent to the United Nations which allow for its frequent usage. The existing proportions will allow for the level of intimacy required by UNICEF's program.

9. The existing HVAC system located in the UNICEF House sub-levels, is capable of handling the required heating and cooling loads for the conference facility.

10. If the facility is located in the UNICEF House, a need for additional support rooms will be diminished. Since there are facilities available currently in UNICEF House that may be used i.e., bi-lateral conference rooms.

11. Due to the conversion for the usage of level B-1 and B-2 as a new conference facility some of the existing spaces will be displaced and may require relocation elsewhere in the UNICEF House facility.

12. The UNICEF House has an adequate security system in place, and would require minimum enhancements to the existing system.

13. Level B-1 of the UNICEF House has the necessary ceiling clearances required to provide proper visual angles for the interpretation booths, and video conferencing requirements.

14. There are few encumbrances in the renovation of level B-1 and B-2 of the UNICEF House that would require major structural re-engineering.

Given, the programmatic requirements, levels B-1 and B-2 of UNICEF House is a natural and ideal location for conversion to a conference facility. Ultimately, this facility will provide a flexible design that can be transformed into either a multi-purpose configuration or a executive general board conference facility. This location offer many prime considerations. As indicated on the schematic diagram of the proposed facility the following were considered in the overall design:

* A secured entry is provided and will be monitored by the existing security system. Levels B-1 and B-2 both contain two bi-lateral conference rooms. The addition of self-contained secured entrance is provided to prevent undesirable traffic flow.

* The facility currently meets NYC occupancy codes for the proposed use.

* The Facility will act as a strong adjacency to existing United Nations functions.

* The facility provides an open lobby / exhibit area that is quite adequate for receiving guests and can act as an informal gathering area.

* Floor to slab distances are acceptable as is and can provide the visual access and angles required by the adjoining interpretation booths.

* The proposed facility provides for state of the art video conferencing, that allows for a needed upgrade in technology.

* There is no need for structural changes.

* The facility will have use of existing restroom facilities (must be shared in 633 Third).

CONCLUSION

In short, both facilities are adequate for the proposed facility, The Switzer Group, Inc. feels the UNICEF House provides the best possibilities for a conference center. However, this is based entirely on cost, the degree of modifications, and location. Whereas, 633 Third Avenue can provide a full centrally located conference facility on one floor (with structural modifications) it may impose a considerable cost during the build out of the facility. UNICEF House on the other hand, requires no such modifications. Ultimately, the conference center can be placed in either of the two locations, and is purely a decision that must be made by the Executive Board and its constituent agencies.

Sincerely,

The Switzer Group, Inc.

Lou Switzer,
Chairman, CEO

PRELIMINARY COST ESTIMATES

26th Floor (Budget Summary)
633 Third Avenue

Estimated at 5,372 SQ. FT.

TRADE	BUDGET AMOUNT	COST PER SQ. FT.
Demolition	$14,000	$2.20
Acoustical Panels	$35,000	$6.50
Lath & Acoustics	$28,233	$5.24
Painting a & Wallcovering	$10,078	$1.87
Flooring	$22,848	$4.24
Woodworking	$127,000	$23.58
Glazing	$10,600	$1.97
Stone Flooring	$24,000	$4.46
Raised Flooring @ Interpretation Booths	$7,184	$1.33
Folding Wall	$18,500	$3.43
Steel Support for Folding Wall	$7,200	$1.33
Sprinkler	$14,770	$2.73
HVAC Modifications	$43,080	$8.00
Electric	$77,390	$14.37
Security Allowance	$5,000	$0.93
Structural Steel Work @ Columns	$200,000	$37.14
Shoring Allowance	$17,000	$3.16
Window Treatment	$17,500	$3.25
General Conditions	$52,114	$9.67
Contractor's Fee	$37,707	$7.00
Total Preliminary Budget	**$769,204**	**$142.40**

EXCLUSIONS & QUALIFICATIONS

1. No communications cabling estimated at this time.
2. Furniture and conference room tables are not included.
3. Building department filing fees are not included.
4. Audio video work not included.
5. Architectural design fees are not included.

LEVEL B-1 (Budget Summary)
UNICEF House
Estimated at 5,385 SQ. FT.

TRADE	BUDGET AMOUNT	COST PER SQ. FT.
Demolition	$14,000	$2.59
Acoustical Panels	$35,000	$6.50
Lath & Acoustics	$28,233	$5.24
Painting a & Wallcovering	$10,078	$1.87
Flooring	$22,848	$4.24
Woodworking	$127,000	$23.58
Glazing	$10,600	$1.97
Stone Flooring	$24,000	$4.46
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Shoring Allowance	$17,000	$3.16
Window Treatment	$17,500	$3.25
General Conditions	$52,114	$9.67
Contractor's Fee	$37,707	$7.00
Total Preliminary Budget	**$541,704**	**$102.01**

EXCLUSIONS & QUALIFICATIONS

1. No communications cabling estimated at this time.
2. Furniture and conference room tables are not included.
3. Building department filing fees are not included.
4. Audio video work not included.
5. Architectural design fees are not included.

HYPOTHETICAL SCHEDULE

TASK	*DURATION*
Program Verification	1 Week
Schematic Design	4 Weeks
Design Development	6 Weeks
Construction Documentation	6 Weeks
Construction Administration	16 Weeks
TOTAL	**33 WEEKS**

Note: Our schedule can be adjusted or expedited according to UNICEF's requirements.

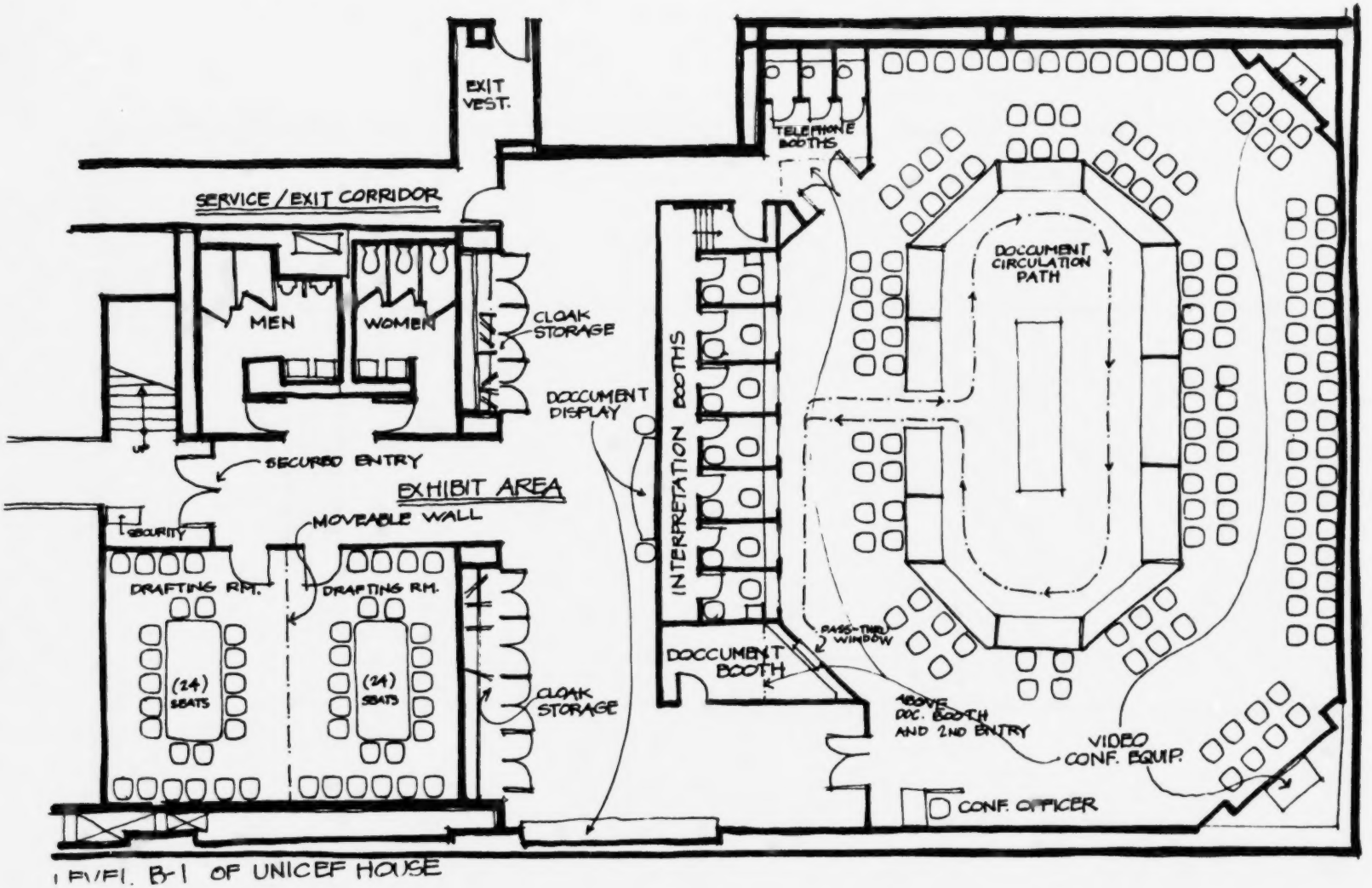

Figure I. Proposed layout of conference facility in the Labouisse Hall at UNICEF House

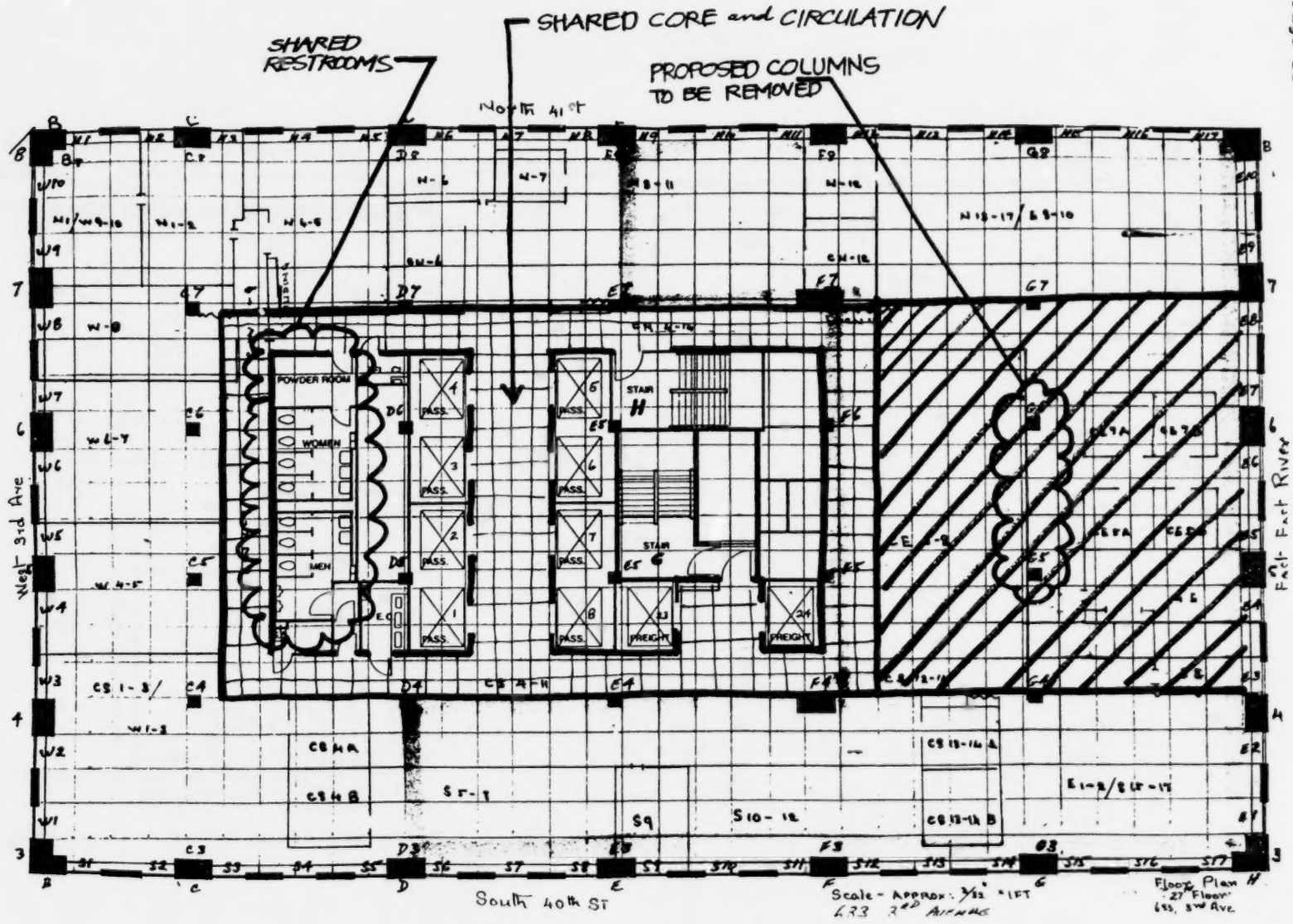

Figure II. Proposed layout of the twenty-seventh floor at 633 Third Avenue

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Economic and Social Council

Distr.
LIMITED

E/ICEF/1994/AB/L.15/Corr.1
30 September 1994

ORIGINAL: ENGLISH

UNITED NATIONS CHILDREN'S FUND
Executive Board
Third regular session 1994
3-5 October 1994

FOR ACTION

CONFERENCE FACILITIES AT THE PREMISES OF UNICEF HEADQUARTERS

Corrigendum

Annex, page 13, LEVEL B-1 (Budget Summary), UNICEF House

Replace page 13 by the attached.

LEVEL B-1 (Budget Summary)
UNICEF House
Estimated at 5,385 SQ. FT.

TRADE	BUDGET AMOUNT	COST PER SQ. FT.
Demolition	$14,000	$2.59
Acoustical Panels	$35,000	$6.50
Lath & Acoustics	$28,233	$5.24
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Contractor's Fee	$37,707	$7.00
Total Preliminary Budget	**$541,704**	**$102.40**

EXCLUSIONS & QUALIFICATIONS

1. No communications cabling estimated at this time.
2. Furniture and conference room tables are not included.
3. Building department filing fees are not included.
4. Audio video work not included.

UNITED NATIONS

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Economic and Social Council

Distr.
LIMITED

E/ICEF/1994/AB/L.16
29 September 1994

ORIGINAL: ENGLISH

UNITED NATIONS CHILDREN'S FUND
Executive Board
Third regular session 1994
3-5 October 1994

FOR ACTION

CONFERENCE FACILITIES FOR THE UNICEF EXECUTIVE BOARD, RECOVERY OF ADMINISTRATIVE COSTS FOR SUPPLEMENTARY-FUNDED PROGRAMMES, A SELF-FINANCING SUPPLY DIVISION AND LOCATION OF UNICEF GREETING CARD AND RELATED OPERATIONS

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the following documents:

(a) Conference facilities at the premises of UNICEF headquarters (E/ICEF/1994/AB/L.15);

(b) Recovery of costs for prorated project posts and incremental field costs for supplementary-funded programmes (E/ICEF/1994/AB/L.2 and Corr.1);

(c) A self-financing Supply Division (E/ICEF/1994/AB/L.9);

(d) Review of that part of the UNICEF Greeting Card and related Operations located in Manhattan (E/ICEF/1994/AB/L.10).

During its consideration of the above-mentioned reports, the Committee met with representatives of UNICEF who provided additional information.

I. CONFERENCE FACILITIES FOR THE EXECUTIVE BOARD AT THE PREMISES OF UNICEF HEADQUARTERS

2. The Advisory Committee notes that the report on the examination of the question of conference facilities at the premises of UNICEF headquarters (E/ICEF/1994/AB/L.15) was prepared in accordance with Executive Board decision 1994/R.1/1 (E/ICEF/1994/13 (Part I)). By its decision, the Executive Board

requested UNICEF to examine the matter further, "including detailed costing for possible options for such facilities, including those shared with the United Nations Development Programme/United Nations Population Fund and in comparison with United Nations facilities".

3. The Committee observes that the preliminary review of the technical feasibility of possible options was conducted by an architectural and design consultant firm employed by UNICEF on a fee basis. The firm studied two options and estimated the cost for the construction of conference facilities: (a) in Labouisse Hall, B1 level, of UNICEF House, and (b) in the future UNICEF premises at the 633 Third Avenue building, at a cost of approximately $542,000 and $770,000, respectively (E/ICEF/1994/AB/L.15, annex).

4. Upon inquiry, the Committee was informed that the related costs for outfitting the conference room had yet to be estimated in detail; they were expected to be quite substantial (at least $300,000, depending on a broad range of choices and qualities). These would include one-time costs for furniture (conference room with some 120 seats to accommodate 36 Board members and observer delegations), communication cabling and audio/video equipment for simultaneous interpretation in the six official languages, architectural design and building department filing fees, etc. Furthermore, the proposal does not address the possible participation of a larger number of other observers and participants invited to follow special-interest items, as well as possible changes in future Executive Board membership. The Committee notes that recurrent costs also would be incurred for such items as maintenance of conference facilities, staff to service meetings and notably interpretation services, as well as for a general-purpose assembly room to replace Labouisse Hall (at a cost of about $150,000), or for securing additional space (approximately 17,000 square feet) at 633 Third Avenue. With regard to interpretation services, the Committee was informed that they would have to be negotiated with the United Nations Secretariat, which has the necessary experience and familiarity with the United Nations terminology, as this type of expertise would be rather difficult to find in the market-place.

5. The Committee also was informed that the conference facilities at the United Nations have continued to be available to UNICEF for its Executive Board sessions, noting that in spite of changes in the number, duration and composition of its governing body and sessions, UNICEF has not experienced, neither now nor in the past, technical or organizational difficulties with regard to obtaining conference services from the United Nations. In this regard, the Advisory Committee recalls that in the statement submitted by the Secretary-General on the programme budget implications for the biennium 1994-1995 of the restructuring and revitalization of the United Nations in the economic, social and related fields (A/C.5/48/54), the Secretary-General indicated his intention to provide the conference-servicing requirements for the Executive Boards of the United Nations Development Programme/United Nations Population Fund (UNDP/UNFPA) and UNICEF:

> "from within the overall provision for conference-servicing requirements under section 25, Administration and management, of the proposed programme budget for the biennium 1994-1995, which has been made not only for meetings already known of at the time of the budget preparation, but also

for meetings and extensions of such a meetings that may be authorized subsequently, based on the pattern that has emerged over the previous five years. On that basis, it is estimated that no additional resources would be required under section 25 of the proposed programme budget for the biennium 1994-1995 for the implementation of the new programme of meetings that would result from the adoption of the draft resolution." (ibid., para. 3)

6. With regard to the possibility of sharing conference facilities with UNDP and UNFPA, the Advisory Committee was informed that there had been no further negotiations in this regard. The Committee notes that sharing conference facilities would result in substantial economies in operating costs. The Advisory Committee recalls that the General Assembly decided that each Executive Board should meet "at the premises of the headquarters of the respective organization as of the date when such premises are rendered possible to accommodate such meetings" (resolution 48/162, annex I, para. 27). The Committee recalls, however, that the Executive Board of UNDP/UNFPA has decided to hold the annual 1994 session at Geneva (decision 94/2).

7. The Advisory Committee recalls that the General Assembly in paragraph 27 of annex I to its resolution 48/162 encouraged "the Executive Boards of the funds and programmes ... to make the necessary facilities available as soon as possible without prejudice to the resources of existing programmes and projects". The Committee notes with concern that apparently there has been no consultation between UNICEF and the Office of Conference and Support Services at the United Nations and points out that no funds are available from existing budgets to finance the proposed construction of conference facilities. The representatives of UNICEF informed the Committee that no funds or contributions-in-kind have been pledged for this purpose so far.

8. The Advisory Committee wishes to point out that expenditure on conference facilities would take place in an environment where income has grown very modestly, while expenditures continue to increase rapidly and the proportion of administrative expenditures to total expenditure remains high. As reported by the Board of Auditors (A/48/5/Add.2, para. 32) for the 1992-1993 biennium, the recurring surpluses of income over expenditure in the past have been eliminated. A deficit of $125 million was incurred as of 31 December 1993 compared with a surplus of $134 million realized at the end of the 1990-1991 biennium. This situation is attributable to a 28 per cent increase in expenditure for the period, while income rose by only 11 per cent.

9. The Advisory Committee was informed that, in practice, the assumptions under which paragraph 27 of annex I to General Assembly resolution 48/162 was adopted have not been borne out, as there are more participants than had originally been envisaged. The Committee believes strongly that, in view of the limited resources available for UNICEF programmes and projects, and taking into account economies of scale, the Executive Board should consider whether its goals could be attained in a cost-effective manner by utilizing the conference-servicing facilities currently available at the United Nations premises for all governing bodies of the United Nations funds and programmes.

10. To this end, the Advisory Committee further invites the Executive Board to request UNICEF to continue its dialogue and negotiations with the United Nations Secretariat to obtain those conference-servicing facilities within the United Nations premises identified by the Executive Board that would meet the specific requirements of the Board. In this connection, the Advisory Committee recalls the decision of the Fifth Committee (A/48/790, para. 3) with regard to the adoption of draft resolution A/48/L.33 (which became resolution A/48/162) that "the question of additional premises that might be required would need to be examined by the Secretary-General and the Executive Heads of the United Nations Development Programme, the United Nations Population Fund and the United Nations Children's Fund and the Secretary-General should report thereon to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions."

II. RECOVERY OF COSTS FOR PRORATED PROJECT POSTS AND INCREMENTAL FIELD COSTS FOR SUPPLEMENTARY-FUNDED PROGRAMMES

11. In documents E/ICEF/1994/AB/L.2 and Corr.1, the Executive Director presents his review of the elements of the structure and adequacy of UNICEF recovery of administrative and programme support charges attributable to supplementary-funded programmes. The report was submitted to the Executive Board in compliance with decision 1992/37 (E/ICEF/1992/14). The Advisory Committee notes that, according to the historical summary of developments presented in the annex, the policy of recovery of administrative and programme support expenditures incurred by UNICEF in managing operations and activities funded from supplementary contributions has gradually evolved in consonance with increases in the ratio of supplementary funds to general resources income.

12. The Advisory Committee observes that the issue of recovering overhead charges and avoiding subsidizing supplementary-funded activities by using general resources to cover their administrative costs has been of concern to the UNICEF governing body. As indicated in paragraph 3 of the report, the Board last addressed this issue in 1992, approving, on an interim basis, the continuation of the application of a recovery charge of 6 per cent on contributions to supplementary-funded programmes for non-emergency purposes.

13. The Board also extended the application of this charge to all other supplementary-funded activities funded from contributions received for emergency purposes. The policy of exempting contributions from National Committees for UNICEF, non-governmental organizations (NGOs) and host Governments funding their own programmes continued, however, to apply. For its consideration in 1994, the Board requested UNICEF to take into account in this review all relevant factors, such as actual overhead charges incurred, the application of the recovery charge to contributions from National Committees and NGOs, the application of recovery of overhead charges in other United Nations agencies and programmes, the use of interest income derived from unexpended balances of supplementary contributions to offset administrative costs and the effects of changes in the recovery policy on the level of contributions received.

14. The Advisory Committee notes from table 1 of the report that contributions to supplementary-funded programmes have increased rapidly in recent years, from

$135 million in 1982 to $357 million in 1993, accounting for about 41 per cent of the total income of $866 million in 1993. Expenditures from these contributions also have increased rapidly, from $60 million in 1982 to $391 million in 1993, or about 48 per cent of the total programme expenditures of $804 million in 1993. As explained in paragraph 4 of the report and paragraph 9 of the annex, since 1990 the nature of these contributions also has changed, and in 1993 about one half of the supplementary contributions were for emergency activities.

15. The Advisory Committee had serious difficulty in analysing the information on the alternative recovery scenarios for 1994-1997, presented in paragraphs 5 and 6 of the report, and in relating it to the tabulations of tables 3 and 4 of E/ICEF/1994/AB/L.2/Corr.1. The basic assumptions for the cost forecast of "headquarters recovery staff" and "field-level incremental general operating costs required for implementation of supplementary-funded programmes" were not included in the report. These should have been explained clearly in the document. Table 4 of E/ICEF/1994/AB/L.2/Corr.1 shows, for example, an increase in "cost of headquarters recovery staff" from $7.3 million in 1993 to $11.4 million in 1994, or a 56.2 per cent increase, while incremental general operating costs in the field offices required for implementation of supplementary-funded programmes increased by just 1.3 per cent. Similarly, the calculation of "current recovery policy of 6 per cent with donor exemptions" of $11.2 million in 1993 is misleading since total supplementary contributions amounted to $357 million, and it appears doubtful that one half of these were received from those contributors exempted by the Board (i.e., National Committees for UNICEF, NGOs and host Governments contributing to their own programmes).

16. The Advisory Committee has pointed out repeatedly that the number of project posts allocated to headquarters is high. The Committee notes that a large number of headquarters posts are being charged to projects (344 of a total 879 headquarters posts).

17. The Advisory Committee has cautioned UNICEF that, unless policy measures are taken to streamline the administrative and programme support functions at headquarters carried out by these staff, "UNICEF will continue to face a disproportionate increase in costs, including serious problems of accommodation at headquarters at the expense of project delivery in the field" (E/ICEF/1993/AB/L.2, para. 54). The Committee has indicated repeatedly that the majority of these posts perform functions of an administrative and programme support nature similar to that carried out by staff charged to the administrative and programme support budget.

18. The Advisory Committee wishes to point out that the views ascribed to it in paragraph 16 of the report do not reflect at all the prior observations of the Committee. The Committee's concern centred on the fact that posts performing support functions at headquarters were identified as project posts and, as a consequence, their support nature was not fully disclosed; this practice distorts the proper disclosure of administrative costs at UNICEF, understating significantly the true costs of delivering its assistance. The solution to this problem is one of categorization and identification and not necessarily to charge project posts at headquarters currently funded from supplementary

resources and global funds to the administrative and programme support budget (funded from general resources); rather posts must be financed by funds related to the activity which they support. The Advisory Committee believes that a further analysis should be requested by the Executive Board so as to enable a determination to be made of which support post costs should be borne by general resources and which by supplementary resources or global funds. This analysis should be included in the UNICEF budget submission for 1996-1997.

III. A SELF-FINANCING SUPPLY DIVISION

19. The Advisory Committee notes the first steps taken by UNICEF to comply with the Committee's recommendation in paragraph 26 of E/ICEF/1993/AB/L.2 to present to the Executive Board a full analysis of the cost structure of supply services at Copenhagen and New York. The Committee notes further that the supply structure of the Supply Division and the split of its operations will be dealt with in the formulation of the budget proposal for administrative and programme support services for 1996-1997. The Committee trusts that in this context a detailed costing of both staff and operating costs of the Supply Division at Copenhagen and New York will be presented, independently of the source of funding. The emphasis of this budget exercise should be in identifying and explaining the functions of Supply Division posts. The various recovery charges and any proposed changes in the schedule of fees for procurement services should be rationalized, identifying clearly the proposed sources of income.

20. The Advisory Committee observes that, as noted in the report (E/ICEF/1994/AB/L.9, annex II, para. 3), "the main function of the Supply Division is to provide the material component of the country programmes supported by UNICEF from general resources and supplementary funds income. These two sources each represent approximately 40 per cent of supply purchases". The remaining 20 per cent of purchasing activity is accounted for by the procurement services of UNICEF as a purchasing agent of Governments, NGOs and other United Nations agencies. Upon inquiry, the Committee was informed that on occasion the Supply Division also provides procurement services free of charge to internationally recruited staff of UNICEF who have been assigned to field offices where there are special difficulties in obtaining certain items.

21. The Advisory Committee observes that the Executive Director proposes a common service fee structure to all UNICEF "customers" (i.e, UNICEF-assisted programmes as "internal customers" and to Governments, NGOs and other United Nations bodies as "external customers"). On the basis of this proposal, all administrative and programme support expenditures of the Supply Division at Copenhagen and New York would be covered from the income derived by charging service fees to customers. All income generated by the Supply Division would be credited to the Supply Division account and any excess of income over expenditure in the administration of the Division would be credited to the miscellaneous income account.

22. As the Advisory Committee has pointed out, the present mechanism for budgeting the costs of the Supply Division lacks transparency and does not reveal the true costs of the operation. The proposals contained in the report represent the first step towards addressing the concerns expressed previously by

the Committee, and the Committee supports them in principle. However, there are certain elements that need further elaboration, such as the criteria for the establishment of fees and the treatment of internal versus external customers, including possible service charges to staff. Moreover, additional information and clarification are required on the use of surplus income. Accordingly, the Committee recommends a follow-up which would address the issues in the context of the UNICEF 1996-1997 budget proposals.

IV. REVIEW OF THAT PART OF THE UNICEF GREETING CARD AND RELATED OPERATIONS LOCATED IN MANHATTAN

23. In document E/ICEF/1994/AB/L.10, the Executive Director presents his review of that part of the Greeting Card and related Operations (GCO) located in Manhattan as requested by the Executive Board in its decision 1993/26 (E/ICEF/1993/17). The review had as its objective to ensure the most efficient and cost-effective operation and to examine the possibility of consolidating the staff currently located in New York and in Geneva at a single location.

24. The Advisory Committee notes that the review covers three options: (a) maintaining the current staffing levels in New York and Geneva as approved by the Executive Board in its decision 1994/A/9 (E/ICEF/1994/13 (Part III)); (b) consolidating the staff now based in New York and Geneva in New York; and (c) consolidating those staff members in Manhattan and Geneva in Geneva. However, the Committee points out that the Board's request was limited to the study of the operational efficiency and cost-effectiveness of only the operations located in Manhattan, including their location, with no reference to consolidation of activities in Geneva.

25. The Advisory Committee notes that, as stated in paragraph 4 of the report, the GCO headquarters staff is divided between two locations, New York and Geneva. In New York there are 96 posts (43 Professional and 53 General Service), of which 89 are located in Manhattan (41 Professional and 48 General Service) and 7 at the distribution centre outside Manhattan (2 Professional and 5 General Service). In Geneva there are 80 posts (36 Professional and 44 General Service). In addition, 9 posts are located at the European warehouse and distribution centre.

26. For the reasons stated in paragraph 9 of the report, consolidation of the staff in New York would result in annual savings of $4 million, to be offset by one-time relocation costs for the staff whose posts would be redeployed and termination indemnity costs for the staff in abolished posts, amounting to $1.6 million (annex II). The Advisory Committee was informed that there also would be a one-time cost for the termination indemnity of 44 General Service staff in Geneva, estimated at $2.6 million (annex III). With regard to the consolidation of staff in Geneva, the Committee notes that, as stated in paragraph 11 of the report, annual expenses would increase by approximately $900,000 (annex I) and there would be a one-time relocation cost of approximately $1.7 million for the relocation of redeployed staff and termination indemnity for staff in abolished posts (annex II). In addition, the Committee was informed that the one-time termination costs of 48 General Service staff in New York would amount to about $1.9 million (annex III).

27. From the information provided in the report and by representatives of the Executive Director, the Committee is not convinced that all the various alternatives for the relocation of the GCO staff in the New York area have been explored sufficiently. The Advisory Committee therefore recommends that consideration of this issue by the Executive Board be deferred until the management review study of UNICEF operations is completed.